

HANDBOOKS PREPARED UNDER THE DIRECTION OF THE
HISTORICAL SECTION OF THE FOREIGN OFFICE.—No. 158

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INDEMNITIES OF
WAR:
SUBSIDIES AND LOANS

LONDON:
PUBLISHED BY H.M. STATIONERY OFFICE.

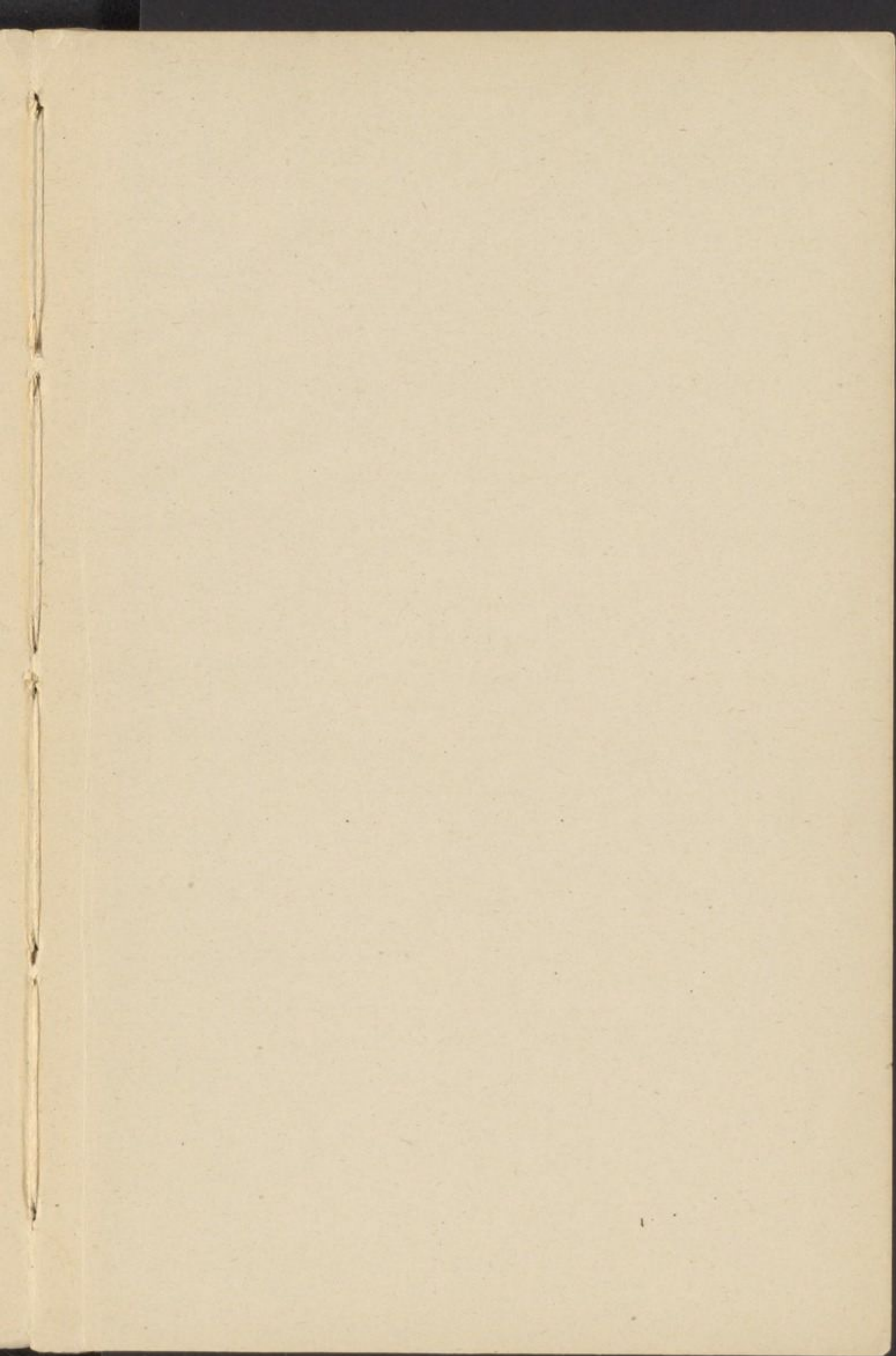
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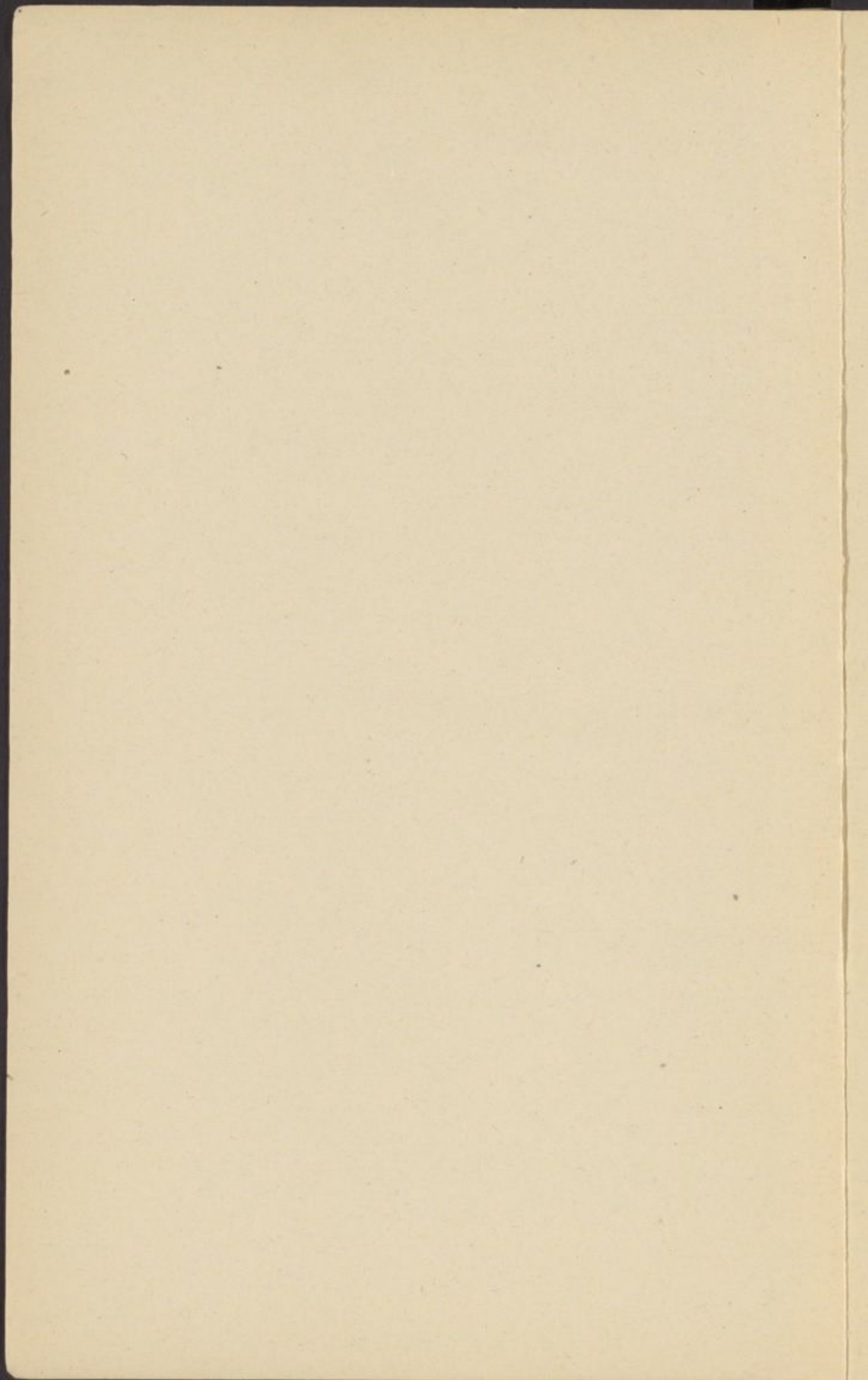


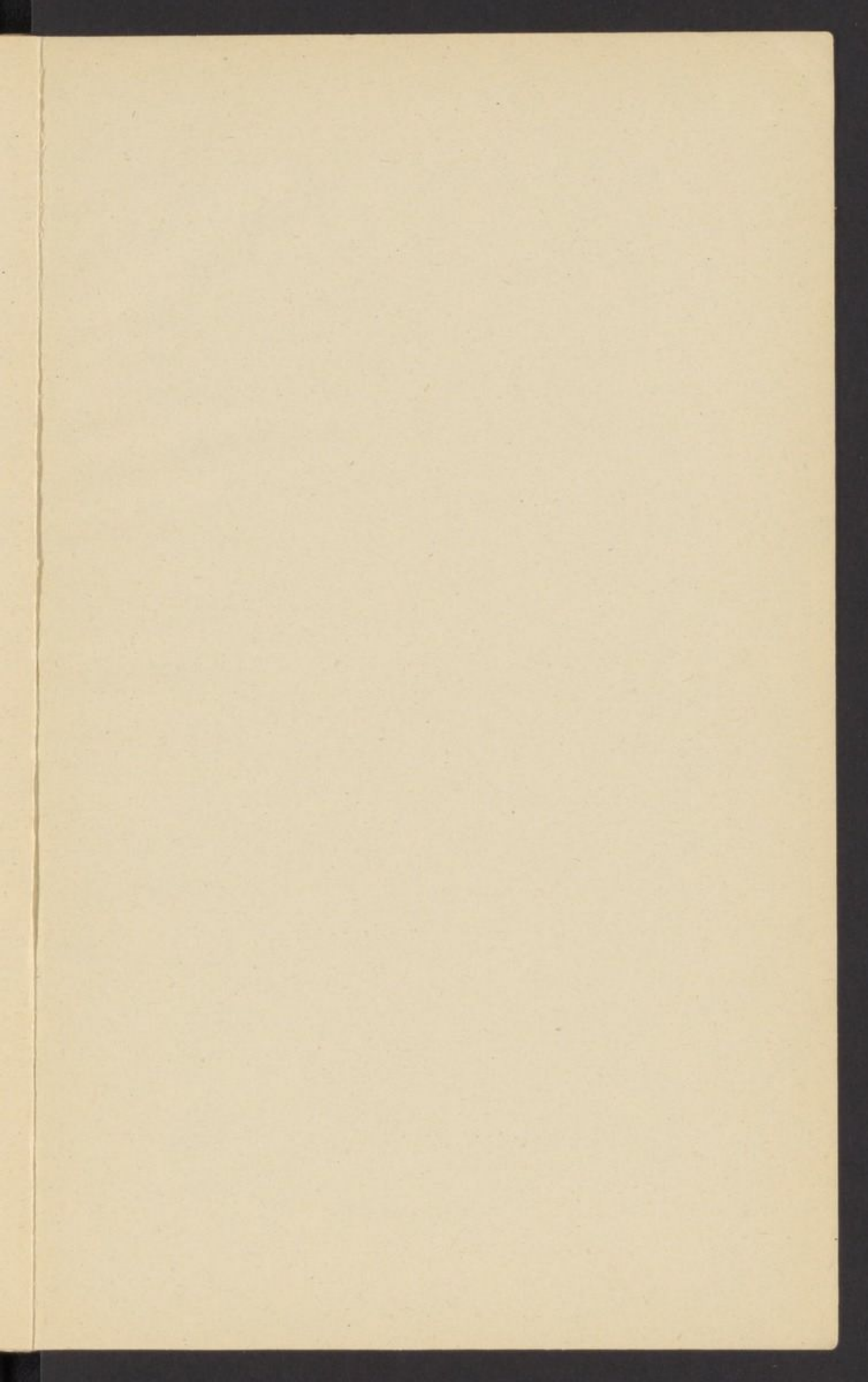


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Editorial Note.

IN the spring of 1917 the Foreign Office, in connection with the preparation which they were making for the work of the Peace Conference, established a special section whose duty it should be to provide the British Delegates to the Peace Conference with information in the most convenient form—geographical, economic, historical, social, religious and political—respecting the different countries, districts, islands, &c., with which they might have to deal. In addition, volumes were prepared on certain general subjects, mostly of an historical nature, concerning which it appeared that a special study would be useful.

The historical information was compiled by trained writers on historical subjects, who (in most cases) gave their services without any remuneration. For the geographical sections valuable assistance was given by the Intelligence Division (Naval Staff) of the Admiralty; and for the economic sections, by the War Trade Intelligence Department, which had been established by the Foreign Office. Of the maps accompanying the series, some were prepared by the above-mentioned department of the Admiralty, but the bulk of them were the work of the Geographical Section of the General Staff (Military Intelligence Division) of the War Office.

Now that the Conference has nearly completed its task, the Foreign Office, in response to numerous enquiries and requests, has decided to issue the books for public use, believing that they will be useful to students of history, politics, economics and foreign affairs, to publicists generally and to business men and travellers. It is hardly necessary to say that some of the subjects dealt with in the series have not in fact come under discussion at the Peace Conference; but, as the books treating of them contain valuable information, it has been thought advisable to include them.

It must be understood that, although the series of volumes was prepared under the authority, and is now issued with the sanction, of the Foreign Office, that Office is not to be regarded as guaranteeing the accuracy of every statement which they contain or as identifying itself with all the opinions expressed in the several volumes; the books were not prepared in the Foreign Office itself, but are in the nature of information provided for the Foreign Office and the British Delegation.

The books are now published, with a few exceptions, substantially as they were issued for the use of the Delegates. No attempt has been made to bring them up to date, for, in the first place, such a process would have entailed a great loss of time and a prohibitive expense; and, in the second, the political and other conditions of a great part of Europe and of the Nearer and Middle East are still unsettled and in such a state of flux that any attempt to describe them would have been incorrect or misleading. The books are therefore to be taken as describing, in general, *ante-bellum* conditions, though in a few cases, where it seemed specially desirable, the account has been brought down to a later date.

G. W. PROTHERO,

General Editor and formerly

Director of the Historical Section.

January 1920.

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¹ This survey is not intended to extend beyond 1914.

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I. INDEMNITIES IMPOSED SINCE 1814

i. INTRODUCTORY

IN accordance with international practice, as well as with the views of jurists and with public opinion, a victorious State is justified in demanding an indemnity from its defeated adversary. Practice and opinion agree also that such indemnity should take the form not of a punitive exaction, but of a compensation or reimbursement for the actual losses and expenditure brought about by the prosecution of hostilities.

In many cases no indemnity has been demanded. This was sometimes due either to considerations of prudence or moderation that weighed with the victorious party, or to the fact that the vanquished Power was, and seemed likely to remain for a long time, in such financial difficulties, that it appeared to be futile to make a pecuniary demand upon it. In such circumstances as the latter, however, a substitute for pecuniary compensation has occasionally been stipulated, e. g. territorial cession. Sometimes, too, the whole or a portion of the indemnity has been waived in consideration of commercial concessions. In other cases, territorial aggrandizement has been deliberately preferred to a pecuniary indemnity, the war having been undertaken for this purpose, or having produced results which made such gain of territory possible. In a few cases—notably that of the Franco-German War (1870–71)—both territorial cessions and pecuniary indemnity have been demanded and obtained. The territorial changes made in 1814–15 at the expense of France were not cessions of land

properly belonging to the defeated State, but retrocessions of territory previously conquered. It should be added that this was the justification alleged for the cession of Alsace-Lorraine in 1871.

In earlier instances, notably in the Napoleonic wars, we find the pecuniary indemnity replaced or supplemented, as the case may be, by valuable objects—provisions, horses, and other things.

During the last hundred years, the first important instance of the imposition of a war indemnity was that in the Treaty of Paris, November 20, 1815; the last occurred in the Treaty of Constantinople, 1897. The most remarkable case of all—mainly because of the magnitude of the indemnity—was that of the Franco-German War. Prussia had also exacted indemnities from all the States opposed to her in the war of 1866. It has been calculated that the total exacted by Prussia in her wars of 1866 and 1870 was about three times as large as the entire sum demanded by all the victorious States in all the other wars between 1795 and 1871.

As to guarantees, in some instances no special provision was made; in others financial guarantees—e. g. by the deposit of specified securities—were stipulated; and in others, again, territorial guarantees in the form of military occupation were insisted on, either alone or in conjunction with the former mode.

The customary manner of paying the indemnity has been by instalments spread over a number of years. In some cases the payment of interest was stipulated in the event of failure to pay an instalment at or before the specified date; in others interest was payable irrespectively of punctual discharge. In one or two instances discount was deducted on payments made before the stipulated time.

ii. ILLUSTRATIONS

TREATY OF PARIS, NOV. 20, 1815¹

(GREAT BRITAIN, AUSTRIA, PRUSSIA, RUSSIA—FRANCE)

Amount of Indemnity.—The Allied Powers imposed on France a pecuniary indemnity of 700,000,000 francs (£27,737,500) (Art. IV).

Mode of payment, time of payment, guarantees.—The mode and the time of payment, as well as the guarantees, were prescribed by the Annexed Convention of the same date:²

1. The sum of 700 million francs shall be discharged, day by day, in equal portions, in the space of 5 years, by means of *bons au porteur* on the Royal Treasury of France, in the following manner.

2. The Treasury shall deliver immediately to the Allied Powers 15 engagements for 46 $\frac{2}{3}$ millions each: the first payable March 31, 1816, the second July 31, 1816, and so on in every fourth month during the five successive years.

3. These engagements shall not be negotiable, but they shall be periodically exchanged against negotiable *bons au porteur* drawn in the form used in the ordinary service of the Royal Treasury.

4. In the month preceding the four months, in the course of which an engagement is to be paid, that engagement shall be divided by the Treasury of France into *bons au porteur* payable in Paris, in equal portions, from the first to the last day of the four months.

Thus the engagement of 46 $\frac{2}{3}$ millions falling due March 31, 1816, shall be exchanged in November 1815, against *bons au porteur* payable in equal portions from December 1, 1815, to March 31, 1816.

The engagement of 46 $\frac{2}{3}$ millions which will fall due July 31, 1816, shall be exchanged in March 1816, against *bons au porteur* payable in equal portions from April 1, 1816, to July 31, 1816, and so in every four months.

¹ *British and Foreign State Papers*, vol. iii, pp. 280 et seq.

² *Ibid.*, vol. iii, pp. 293 et seq.

5. No single *bon au porteur* shall be delivered for the sum due each day, but the sum so due shall be divided into several bills (*coupures*) of 1,000, 2,000, 5,000, 10,000 and 20,000 francs, which sums added together will amount to the sum total of the payment due for each day.

6. There shall never be in circulation *bons* for more than 50 millions at a time.

7. No *interest* shall be paid for the delay of five years.

8. As a *guarantee* for the regularity of payments, France shall make over to the Allied Powers on January 1, 1816, a fund of interest, inscribed in the 'Grand Livre' of the public debt of France, of 7 million francs, on a capital of 140 millions. This fund of interest shall be used to make good, if necessary, the deficiencies in the 'acceptances' of the French Government, and to render the payments equal, at the end of every six months, to the *bons au porteur* which shall have fallen due, as hereafter detailed.

9. This fund of interest shall be inscribed in the name of such persons as the Allied Powers shall point out; but these persons cannot be the holders of the inscriptions, except in the case provided for in Art. 11.

The Allied Powers further reserve to themselves the right to transfer the inscriptions to other names, as often as they shall judge necessary.

10. The *deposit* of these inscriptions shall be confined to one treasurer named by the Allied Powers, and to another named by the French Government.

11. There shall be a *mixed commission*, composed of an equal number of members on both sides, who shall examine every six months the state of the payments, and shall regulate the balance.

The *bons* of the Treasury paid shall constitute the payments; those which shall not yet have been presented to the Treasury of France shall enter into the account of the subsequent balance; those also which shall have fallen due, been presented and not paid, shall constitute the arrear, and the sum of inscriptions to be applied, at the market price of the day, to cover the deficit.

As soon as that operation shall have taken place, the *bons* unpaid shall be given up to the French commissioners, and the mixed commission shall order the treasurers to pay over

the sum so determined upon, and the treasurers shall be authorized and obliged to pay it over to the commissioners of the Allied Powers, who shall dispose of it as they think proper.

12. France engages to replace immediately in the hands of the treasurers an amount of inscriptions equal to that which may have been made use of, according to the foregoing Article, in order that the fund stipulated in Art. 8 may be always kept at its full amount.

13. France shall pay an interest of 5 per cent. per annum, from the date of the *bons au porteur* falling due, upon all such *bons* the payment of which may have been delayed by the act of France.

14. When the first 600 millions shall have been paid, the Allies, in order to accelerate the entire liberation of France, will accept, should it be agreeable to the French Government, the fund mentioned in Art. 8, at the market price of that day, to such an amount as will be equal to the remainder due. France will have to furnish only the difference, should any exist.

15. Should this plan not be convenient to France, the 100 million francs which would remain due may be discharged in the manner pointed out in Arts. 2, 3, 4, and 5; and after the complete payment of the 700 millions, the inscriptions stipulated for in Art. 8 shall be returned to France.

On February 2, 1819, a definitive arrangement¹ was made for regulating the mode and time of payment of the last 100 millions of the pecuniary indemnity.

In addition to this war indemnity, there were other special claims (e. g. of the Allied subjects, of the Bank of Hamburg, of the Duchy of Warsaw), which were settled by separate Conventions.²

Occupation of French territory by an Allied army.—By Art. V of the principal treaty, supplemented by an Additional Convention³ of the same date, provision was made for the occupation of certain military

¹ *British and Foreign State Papers*, vol. vi, p. 20.

² *Ibid.*, vol. iii, pp. 315, 341, 342, 559; vol. v, pp. 179, 192.

³ *Ibid.*, vol. iii, pp. 298 et seq.

positions along the frontiers of France by an Allied army. This occupation was intended to be a measure of precaution and temporary guarantee for ensuring a tranquil settlement in France and preventing a revolutionary recrudescence. The maximum period of occupation was restricted to five years; but evacuation might be effected after a lapse of three years, if the Allied Powers agreed that the situation and their reciprocal interests warranted a withdrawal before the expiration of the maximum period. The occupying army was to be maintained by France; and various regulations as to lodging, fuel, lighting, provisions, forage, rations, &c. were drawn up. To meet the expenses due to pay, equipment, clothing, &c., France was to contribute 50 million francs per year, payable monthly. Certain neutral zones were marked out in several departments. France might maintain limited garrisons in a number of towns situated in the occupied territory. The Commander-in-Chief of the Allied troops was to exercise military command in the occupied departments, excepting places in which France held garrisons and within a radius of 1,000 *toises* round each of them. The civil and judicial administration, the collection of taxes, customs duties, &c., and the service of the gendarmerie in the occupied territory were to continue as before. Finally, the places occupied were to be restored, on evacuation, in the condition in which they were at the commencement of the occupation, subject to 'damages . . . caused by time'.

It is to be noted that this military occupation was entered into, not with a view to ensure the payment of the indemnity, but independently thereof. It is true that the period of payment, under the treaty, coincided with the maximum period of occupation. But the occupation might be terminated before the indemnity had been paid off; and payment in full

before the expiration of the prescribed period did not necessarily entail evacuation. Nevertheless, the occupation amounted, in fact, to an additional guarantee for the due payment of the indemnity or the greater part of it.

Under Article I of the Treaty of Aix-la-Chapelle, October 9, 1818, the evacuation of French territory was completed by November 30, 1818.¹

TREATY OF ADRIANOPLE, SEPT. 14, 1829 ²

(RUSSIA—TURKEY)

Amount of indemnity.—Besides agreeing to pay compensation to Russian subjects for losses and injuries—1,500,000 Dutch ducats (£737,250) within 18 months³—Turkey agreed to pay 10 million ducats (£4,915,000), and also to cede certain territory in Asia, by way of a war indemnity. The sum was later⁴ reduced to 8 million ducats, then to 6 millions.

Form of payment.—Instead of payment in specie, Russia consented to receive compensation in kind and in articles agreed upon—e. g. building-wood, copper, and silk.⁵ Moreover, instead of Dutch ducats, which Turkey found it difficult to procure, Russia afterwards agreed to accept bills of exchange calculated in Turkish piastres.⁶

Time of payment.—At first 8 annual payments of 1 million ducats each were stipulated, beginning May

¹ *British and Foreign State Papers*, vol. vi, p. 6.

² French text in *British and Foreign State Papers*, vol. xvi, p. 647 ; English text in Hertslet, *Map of Europe by Treaty*, vol. ii, p. 813.

³ Separate convention annexed to the principal treaty, *British and Foreign State Papers*, vol. xvi, p. 657 ; Hertslet, *Map of Europe*, vol. ii, p. 828.

⁴ Convention of St. Petersburg, April 25, 1830 ; *Treaties, &c., between Turkey and Foreign Powers* (London, 1855), p. 770.

⁵ *Ibid.*, Article 6.

⁶ *Ibid.*, Article 7.

1831 and ending May 1838. But four years later, by the Treaty of St. Petersburg, Jan. 29, 1834,¹ it was agreed that a sum of half a million per annum should be paid, and not necessarily in May, but by degrees. The sum having been twice reduced, a third reduction was made under the Treaty of Constantinople, March 27, 1836,² leaving 160,000 purses (a total of 80 million Turkish piastres) payable in specie, within 5 months of the date of signing the treaty, thus: in 15 days from that date, 50,000 purses; 15 days later, 17,000 purses; at the end of two months from the said date, 33,000; the balance (60,000) by degrees in the course of the three following months. If full payment were made before the end of the 5 months, evacuation would take place earlier.

Guarantee.—Occupation of Silistria by Russian troops till payment of the last instalment. If, however, Turkey should reach an understanding with reputable bankers in Europe who were prepared to offer Russia sufficient guarantees for payment, Silistria would be immediately restored.³

TREATY OF NANKIN, AUG. 29, 1842⁴

(GREAT BRITAIN—CHINA)

Amount of indemnity.—China was required to pay Great Britain the sum of 21 million dollars (approximately, £2,100,000); of which, however, 6 millions represented the value of opium delivered up in 1839

¹ *British and Foreign State Papers*, vol. xxvi, p. 1245; Hertslet, *Map of Europe*, vol. ii, p. 936.

² *British and Foreign State Papers*, vol. xxiv, p. 1078; Hertslet, vol. ii, p. 961.

³ Convention of St. Petersburg, April 25, 1830; *Treaties, &c., between Turkey and Foreign Powers*, Articles 5, 9.

⁴ Hertslet, *Collection of Treaties and Conventions*, vol. vi, p. 221.

at Canton for the lives of the British superintendent and certain British subjects, and 3 million dollars represented debts due to British subjects from Chinese merchants. Thus the remaining sum of 12 million dollars represented the amount of expenditure incurred in the dispatch of the expedition to China.

Time of payment.—As follows: 6 millions immediately; 6 millions in 1843—one-half by June 30, the other half by Dec. 31; 5 millions in 1844—one-half by June 30, the other half by Dec. 31; 4 millions in 1845—one-half by June 30, the other half by Dec. 31.

Interest at rate of 5 per cent. per annum to be paid on any portion not punctually discharged at the periods fixed.

Guarantee (Occupation).—On receipt of the first instalment, the British forces were to retire from Nankin and the Grand Canal, as well as from Chinhai. But the islands of Koolangsoo and Chusan were to continue to be held by the British forces until the completion of the money payments.

TREATY OF MILAN, AUG. 6, 1849¹

(AUSTRIA—SARDINIA)

Amount of indemnity.—Sardinia to pay Austria 75 million francs (£2,971,875), as indemnity for war expenses, for damages suffered by the Austrian Government and its subjects, towns, and corporations, and for claims (due to the same cause) of the Archduke, Duke of Modena, and Duke of Parma.

Mode and time of payment.—15 millions, by order (*mandat*) payable in Paris, at the end of the following October, without interest; 60 millions, in six suc-

¹ G. F. von Martens, *Nouveau Recueil de Traités*, 2 vols., Gottingen, 1843-75, vol. i, p. 181.

cessive payments, one every two months, beginning at the end of the following December, with 5 per cent. interest on the amount to be paid.

Guarantee.—Sardinia to hand over to Austria, at the exchange of ratifications, 60 inscriptions of a million francs each. These inscriptions to be restored in proportion to the payments made in Vienna, in bills of exchange on Paris (as above). Failing payment, Austria to realize on the inscriptions; and the deficit to be made good by Sardinia, by means of bills of exchange on Paris.

TREATY OF PEKIN, OCT. 24, 1860¹

(GREAT BRITAIN—CHINA)

Amount.—China to pay Great Britain 8 million taels (approximately, £1,200,000)—of which 2 millions represented the losses suffered by the British mercantile community at Canton, and 6 millions the war expenses.

Time and mode of payment.—As follows: at Tientsin, on or before Nov. 30, 1860, 500,000 taels; at Canton, on or before Dec. 31, 1860, 333,333 taels (less a certain sum advanced by the Canton authorities); the remainder at ports open to foreign trade, in quarterly payments consisting of one-fifth of the gross customs revenue there collected, the first being due on Dec. 31, 1860, for the quarter ending on that day. The money to be paid to an officer appointed by the British representative, and the accuracy of the amounts to be ascertained before payment by specially appointed British and Chinese officers.

Guarantee (Occupation).—Option for Great Britain to retain a force at certain places till the full payment of the indemnity.

¹ L. Hertslet, *Collection of Treaties*, vol. xi (1864), p. 112.

A similar treaty was concluded, Oct. 25, 1860, between China and France,¹ which had taken part along with Great Britain in the expeditions of 1858 and 1860.

TREATY OF TETUAN, APRIL 26, 1860²

(SPAIN—MOROCCO)

Amount.—Morocco to pay Spain 20 million piastres (approximately, £170,000), as an indemnity for war expenses.

Time and mode of payment.—Four equal instalments to be paid respectively on July 1, Aug. 29, Oct. 29, and Dec. 28, 1860, to the person designated by the King of Spain, in the port designated by the King of Morocco.

Guarantee (Occupation).—A Spanish army to remain in occupation of Tetuan and territory till full payment. If payment made earlier, evacuation to take place earlier.

TREATY OF SAIGON, JUNE 5, 1862³

(FRANCE, SPAIN—ANNAM)

Amount.—Annam to pay France and Spain 4 million dollars (approximately, £400,000), as indemnity for war expenses.

Mode and time of payment.—To be paid within 10 years. Each year a sum of 400,000 dollars to be handed to the French representative at Saigon—a dollar being equivalent to 72/100 of a tael.

¹ De Clercq, *Recueil des traités de la France*, vol. viii, p. 136.

² von Martens, *Nouveau Recueil*, vol. iii, pt. 2, p. 590.

³ De Clercq, *Recueil*, vol. viii, p. 416.

TREATY OF MIRAMAR, APRIL 10, 1864¹

(FRANCE—MEXICO)

Amount.—In addition to an indemnity to French subjects for losses suffered (the amount of which to be determined by a mixed commission), Mexico to pay France 270 million francs for the cost of the expedition. Interest payable at 3 per cent. per annum.

Mode and time of payment.—Mexico to hand over 54 million francs (£2,137,500), plus 12 millions on account of the indemnity to French subjects, immediately, in loan securities at the rate of issue; and the balance to be paid in specie by annual instalments of 25 million francs. These provisions were, however, abrogated by the Convention of Mexico, July 30, 1866, under which the Mexican Government assigned to France half of the customs-duties, which were to be collected, till the indemnity was paid off, by special agents stationed at Vera Cruz and Tampico under the protection of the French flag.² Difficulties in regard to the rights of the contracting parties having arisen, the execution of this Convention was suspended by an arrangement concluded at Mexico, February 22, 1867; but in the meantime the Mexican Government was to pay to a special French agent, or to a French Consul at Vera Cruz, a sum of 250,000 francs at the end of each month.

Guarantee (Occupation).—Continued occupation of Mexican territory by French troops, whose cost was to be discharged by Mexico at the rate of 1,000 francs per man per year.

¹ De Clercq, *Recueil*, vol. ix, p. 18; *British and Foreign State Papers*, vol. liv, p. 944.

² De Clercq, *Recueil*, vol. ix, p. 605.

TREATY OF YOKOHAMA, OCT. 22, 1864¹(GREAT BRITAIN, FRANCE, UNITED STATES, THE
NETHERLANDS—JAPAN)

Amount.—Japan to pay the four Powers a sum of 3 million dollars (approximately, £300,000), to cover claims, indemnities, and expenses incurred in the operations of the allied squadrons.

Time of payment.—Payable quarterly in instalments of 500,000 dollars, to begin from the date of communicating to Japan the ratification.

Substitute for money payment.—‘As the receipt of money has never been the object of the said Powers’, Japan was invited to offer, in lieu thereof, the opening of Shimonoseki or some other eligible port in the Inland Sea, the four Powers reserving the option to accept the same or insist on the payment. The alternative having been adopted (November 26, 1867), whereby Yedo, Niigata, and Ebisuminato were opened to foreign trade, April 1, 1868, the indemnity was not exacted.²

TREATY OF PRAG, AUG. 23, 1866³

(PRUSSIA—AUSTRIA)

Amount.—Austria to pay Prussia 40 million Prussian thalers (£5,928,000), ‘to cover part of the expenses which Prussia has been put to by the war’. (From this sum were deducted 15 million Prussian thalers due to Austria under the Treaty of Vienna, 1864, and 5 millions representing the cost of maintaining the Prussian army in Austrian territories occupied till the conclusion of peace.)

¹ Hertslet, *Collection of Treaties, &c.*, vol. xii, p. 597.

² *Ibid.*, p. 1153.

³ *British and Foreign State Papers*, vol. lvi, p. 1050.

Time of payment.—One-half to be paid on the ratification of the treaty, the second half three weeks later at Oppeln.

Guarantee (Occupation).—Evacuation to be completed within three weeks after the exchange of the ratifications.

TREATY OF BERLIN, AUG. 13, 1866¹

(PRUSSIA—WÜRTTEMBERG)

Amount.—Württemberg to pay Prussia 8 million florins (£677,500).

Time of payment.—Within two months. Discount at 5 per cent. per annum to be deducted on payments made before the stipulated time.

Guarantee (Occupation).—Württemberg to deposit 3½ per cent. and 4 per cent. Württemberg State Bonds to the amount of the indemnity. These securities to be reckoned at the exchange of the day, and the amount of the guarantee to be raised 10 per cent. On payment of the indemnity or provision of a guarantee, Prussian troops to be withdrawn. Their provisioning during the withdrawal to be made in accordance with the existing Federal regulations.

TREATY OF BERLIN, AUG. 17, 1866²

(PRUSSIA—BADEN)

Amount.—Baden to pay Prussia 6 million florins (£508,100).

Time of payment and guarantee.—(As in Treaty of Berlin, Aug. 13, 1866, above.)

¹ Hertslet, *Map of Europe*, vol. iii, p. 1703.

² *Ibid.*, p. 1707.

TREATY OF BERLIN, AUG. 22, 1866¹

(PRUSSIA—BAVARIA)

Amount.—Bavaria to pay Prussia 30 million florins (£2,540,600).

Mode and time of payment.—Payable in silver thalers or silver bars (a pound of fine silver reckoned at 29 thalers 25 silver groschen).

10 millions to be paid at exchange of ratifications, with allowance of discount on 2 months at 5 per cent. per annum; 10 millions within 3 months; and 10 millions within 6 months after the ratification—the last two instalments bearing interest at 5 per cent. from beginning of the third month after ratification.

Guarantee (Occupation).—(As in Treaty of Berlin, Aug. 13, 1866, above.)

TREATY OF BERLIN, SEPT. 3, 1866²

(PRUSSIA—HESSE-DARMSTADT)

Amount.—Hesse-Darmstadt to pay Prussia 3 million florins (£254,100).

Time of payment and guarantee.—(As in Treaty of Berlin, Aug. 13, 1866, above.)

TREATY OF BERLIN, OCT. 21, 1866³

(PRUSSIA—SAXONY)

Amount.—Saxony to pay Prussia 10 million thalers (£1,482,000).

Time of payment.—Payable in three equal instalments: the first on Dec. 31, 1866, the second on Feb. 28, 1867, and the third on April 30, 1867. Discount

¹ *British and Foreign State Papers*, vol. lvi, p. 1044.

² *Ibid.*, p. 1058.

³ *Ibid.*, p. 1086.

at 5 per cent. per annum to be deducted on payments made before the stipulated time.

Guarantee.—Deposit of bills and bonds (as in Treaty of Berlin, Aug. 13, 1866, above).

PRELIMINARIES OF VERSAILLES, FEB. 26, 1871,¹

AND TREATY OF FRANKFORT, MAY 10, 1871²

(GERMANY—FRANCE)

Amount.—5,000 million francs (£198,125,000).

At the conference of Feb. 21, Bismarck had demanded 6,000 millions, but at the instance of the British Government the sum was reduced to the above amount (Feb. 24). In the course of the negotiations M. Thiers and M. Favre urged that the war should not be regarded by Prussia as a kind of financial speculation, and that no more than the actual war expenditure should be claimed. Bismarck accepted this view, and conformably thereto justified the sum insisted on by specifying its composition and destined appropriation:

- (1) 2,000 millions—for the war expenditure itself.
- (2) 3,000 millions—for (i) the restoration of material, (ii) indemnities to German subjects expelled from France, (iii) compensation to ship-owners and crews of captured vessels, (iv) maintenance of French prisoners (who were much more numerous than the German prisoners), (v) indemnities to German wounded and to the widows and orphans of the fallen.³

This calculation was questioned by the French

¹ *British and Foreign State Papers*, vol. lxii, p. 59; Hertslet, *Map of Europe*, vol. iii, p. 1912.

² *British and Foreign State Papers*, vol. lxii, p. 77; Hertslet, *Map of Europe*, vol. iii, p. 1954 (English trans.).

³ Bill before the Reichstag, May 25, 1872; Villefort, *Recueil des traités, conventions, lois, décrets et autres actes relatifs à la paix avec l'Allemagne* (5 vols., Paris, 1872-9), vol. ii, pp. 548-50.

negotiators, but in vain. In the report¹ on the Preliminaries laid before the National Assembly, March 1, 1871, it was stated that Europe was astonished at the enormous sum demanded, and that Germany was desirous of enriching herself with the spoils extorted from France, believing she would indirectly disarm the vanquished country by reducing it to financial impotence.

Mode and time of payment.—

500 millions within 30 days after the re-establishment of the authority of the French Government in the City of Paris.

1,000 millions in the course of the year 1871.

500 millions on May 1, 1872.

3,000 millions within 3 years of the ratification of the Preliminaries (i. e. by March 2, 1874).

Interest.—From March 2, 1871, interest at 5 per cent. per annum payable each year on March 3 on the 3,000 millions last mentioned, provided that 'all sums paid in advance on the last 3,000 millions shall cease to bear interest from the day on which the payment is made'.²

Payment to be made in the principal German commercial towns; in metal (gold or silver), in Prussian bank-notes, in Netherlands or Belgian bank-notes, in first-class negotiable bills to order or letters of exchange payable at sight (a Prussian thaler = 3 f. 75 c.). The German Government to be informed 3 months in advance of all payments intended to be made into the German Treasury. French bank-notes were thus excluded. But, when the first instalment fell due, the French Government—which was burdened also with the payment of 1¼ million francs each day for

¹ De Clercq, vol. x, p. 440.

² Hertslet, *Map of Europe*, vol. iii, p. 1958.

the German army of occupation—requested Germany to accept for once only payment in French bank-notes. As Germany had liabilities to meet in the occupied departments and in Alsace-Lorraine, she consented on condition that 125 millions were paid by June 15.

When 2,000 millions had been paid off, a convention¹ was arrived at for *extending the period of payment* for the remainder:

500 millions within two months after exchange of ratifications.

500 millions on Feb. 1, 1873.

1,000 millions on March 1, 1874.

1,000 millions on March 1, 1875.

Guarantee (Occupation).—The Preliminaries of Versailles had declared (Art. III) the willingness of Germany to substitute a financial guarantee for the territorial; but this declaration was subsequently disregarded, on the ground that the condition of the internal affairs of France and the danger of French military reorganization made earlier evacuation inexpedient. Thus, the departments between the right bank of the Seine and the eastern frontier remained in German military occupation by way of guarantee.

Evacuation took place in proportion to the payments made, the details being regulated by a considerable number of special conventions. The army of occupation was maintained at the expense of France. Till the conclusion of peace there were 500,000 men and 150,000 horses. After the payment of the first instalment of 500 millions there were 150,000 men and 50,000 horses. On Nov. 10, 1871, arrangement was made for a further reduction to 120,000 men and 40,000 horses; this was soon followed by another reduction, leaving 80,000

¹ De Clercq, vol. x, p. 596; *British and Foreign State Papers*, vol. lxii, p. 983.

men and 30,000 horses. From Jan. 1, 1872, after the payment of 2,000 millions, till the entire evacuation there were 50,000 men and 18,000 horses. The whole sum due was paid off by March 1, 1875, that is, exactly four years after the ratification of the Preliminaries of Versailles.

(For the year 1871 alone the cost to France of the army of occupation amounted to 248,625,000 francs, nearly £10,000,000.)

PRELIMINARIES OF SAN STEFANO, MARCH 3, 1878,¹
AND TREATY OF CONSTANTINOPLE, FEB. 8, 1879²

(RUSSIA—TURKEY)

Amount.—The Preliminaries required Turkey to pay Russia 1,410 million roubles (approximately, £152,750,000), being 900 millions for war expenses, and the rest for damage and injuries to commerce, industries, railways, to Russian subjects in Turkey, &c. But Russia consented to accept certain territorial cessions as a substitute for 1,100 millions of the said indemnity. The terms of the Preliminaries were, however, modified by the Congress of Berlin, 1878; and the modifications were embodied in the definitive Treaty of Constantinople, 1879. The latter stipulated that, after deducting the value of the territories ceded by Turkey under the Treaty of Berlin, the war indemnity should be 802,500,000 francs (£32,100,000). The claims of Russian subjects and establishments in Turkey for losses during the war were not to exceed 26,750,000 francs (£1,070,000), and were to be settled by a joint commission *ad hoc*.

¹ *British and Foreign State Papers*, vol. lxi, p. 732; Hertslet, *Map of Europe*, vol. iv, p. 2672.

² *British and Foreign State Papers*, vol. lxx, p. 551; Hertslet, *Map of Europe*, vol. iv, p. 2845.

A special joint commission was to be appointed for drawing up accounts of the cost of maintaining prisoners of war; and, after deducting the cost incurred by Turkey from the cost incurred by Russia, the balance was to be paid by Turkey in 21 equal instalments within the space of 7 years.

Occupation; but not by way of guarantee.—A Russian army occupied Bulgarian territory merely for the purpose of giving armed assistance to the commissioner, pending the establishment of a native militia able to preserve order, security, and tranquillity.

Subsequent dispute settled by Arbitration.—A dispute arose later in regard to the delay of Turkey in settling the claims of Russian subjects and establishments, as determined and prescribed by the stipulated commission. The Russian Government claimed that the Ottoman Government was responsible to the Russian claimants for damages due to the delay, while the Ottoman Government denied such liability. As the parties failed to reach an understanding by diplomatic methods, they agreed, under the Treaty of Constantinople, July 22/August 4, 1910, to submit the difference to arbitration in accordance with the Hague Convention of Oct. 18, 1907.

TREATY OF SHIMONOSEKI, APRIL 17, 1895¹

(JAPAN—CHINA)

Amount.—China to pay Japan as a war indemnity 200 million Kuping taels (approximately, £30,000,000).

Time of payment.—8 instalments. The first (50 million taels) to be paid within 6 months of the exchange of ratifications; the second (50 millions) within 12 months thereof. The remainder to be paid in 6 equal annual instalments: the first within 2 years,

¹ *British and Foreign State Papers*, vol. lxxxvii, p. 800.

the second within 3 years, the third within 4 years, the fourth within 5 years, the fifth within 6 years, and the sixth within 7 years after the exchange of ratifications.

Interest at 5 per cent. per annum to run on all unpaid portions of the indemnity from the date at which the first instalment falls due. If the whole indemnity were paid within 3 years after the exchange of ratifications, all interest to be waived; and the interest for $2\frac{1}{2}$ years, or for any less period if then already paid, to be included as part of the principal amount of the indemnity.

Guarantee (Occupation).—Japanese forces to occupy Wei-hai-wei. After the payment of the first two instalments, evacuation was to take place, provided China pledged, under suitable and sufficient arrangements, her customs revenue as security for payment of the rest. Failing such arrangements, evacuation to take place on the payment of the final instalment. (There was an additional condition relating to the conclusion of a commercial treaty.)

Separate regulations were made in regard to the army of occupation.¹

PRELIMINARIES OF CONSTANTINOPLE, SEPT. 18, 1897,²

AND TREATY OF CONSTANTINOPLE, DEC. 4, 1897³

(TURKEY—GREECE)

Amount.—When peace negotiations were begun, Turkey demanded 230 million francs (£9,113,750). But the Powers intervened; they pointed out that this sum was in excess of Turkey's war expenditure, and was beyond the capacity of Greece to pay. A special commission, appointed by the six Powers, estimated the sum at 100 millions (£3,962,500), which was afterwards agreed to. An additional sum of £T100,000

¹ Ibid., p. 804.

² Ibid., vol. xc, p. 546.

³ Ibid., p. 422.

(£90,000) was fixed as compensation to Turkish subjects for damage caused by the Greek forces.

Time of payment.—4 instalments as follows:

£T1,000,000 payable on May 15, 1898.

£T1,000,000 „ „ May 25, 1898.

£T1,000,000 „ „ June 10, 1898.

£T1,000,000 „ „ July 10, 1898.

No payment was to be made before the commencement of the evacuation of Thessaly; and the last two instalments were to be paid only after the complete evacuation.

An International Commission was appointed for organizing the financial control of Greece.

TREATY OF LHASA, SEPT. 7, 1904,¹

AND DECLARATION OF SIMLA, NOV. 11, 1904²

(GREAT BRITAIN—TIBET)

Amount.—Tibet to pay Great Britain for the cost of the expedition 95 lakhs of rupees (£500,000), afterwards reduced to 25 lakhs (£131,579).

Time of payment.—Annual instalments of 1 lakh on Jan. 1, beginning Jan. 1, 1906.

Guarantee (Occupation).—Occupation of Chumbi Valley—to cease after payment of three annual instalments (subject to the opening of the trade marts).

TREATY OF PORTSMOUTH, SEPT. 5, 1905

(RUSSIA—JAPAN)

At the second meeting of the Peace Conference (August 10, 1905) the Japanese plenipotentiaries specified twelve conditions of peace, one of which was

¹ *British and Foreign State Papers*, vol. xcvi, p. 148.

² *Ibid.*, p. 151.

that Russia should pay Japan her costs of the war—the expression ‘indemnity’ having been purposely avoided. The amount was not stated, but it was known to have exceeded 120 million pounds sterling. At the next meeting (August 12), the Russian representatives categorically refused even to discuss the question of reimbursement of war expenses; and M. Witte is reported to have observed: ‘We will pay you what you have expended to do us good—all your outlays for maintaining prisoners, and any expense of that nature which you will define to us. But for what you have spent to do us evil—not a kopeck.’¹ Eventually the demand for an indemnity was waived, the southern portion of Sakhalin being taken instead.

TREATY OF LONDON, MAY 17/30, 1913
(BULGARIA, GREECE, MONTENEGRO, SERBIA—TURKEY);

TREATY OF BUCAREST, JULY 28/AUGUST 10, 1913
(RUMANIA, GREECE, MONTENEGRO, SERBIA—BULGARIA);

AND TREATY OF CONSTANTINOPLE, SEPT. 16/29, 1913
(BULGARIA—TURKEY)

In these last three Treaties, in view of the annexations or re-annexations of territory, no pecuniary indemnity was exacted.²

¹ London *Times* (weekly edition), Aug. 25, 1905, p. 530.

² Other Treaties of which the same may be said were the Treaty of Paris (Great Britain, France, Turkey, Sardinia, Prussia, and Russia), March 30, 1856; the Treaty of Zurich (France, Sardinia, and Austria), November 10, 1859; the Treaty of Vienna (Austria, Prussia, and Denmark), October 30, 1864; the Treaty of Vienna (Austria and Italy), October 3, 1866; the Treaty of Berlin (Great Britain, Austria, France, Germany, Italy, Russia, and Turkey), July 13, 1878; the Treaty of Lausanne (Italy and Turkey), October 18, 1912. To these may be added the Treaty of Ancon (Chile and Peru), October 20, 1883, in which case the annexation of territories (Tacna and Arica) rich in nitrates took the place of an

iii. INDEMNITIES PAID TO DEFEATED COUNTRIES

Cases in which an indemnity, or rather compensation, has been paid, not *by*, but *to*, a defeated country, hardly come into consideration here, but the following may be mentioned.

1. During the war of Greek independence, it was arranged, in the protocol of the conference between representatives of Great Britain and Russia, Dec. 12, 1828, Art. XI, that an indemnity should be paid by the Greeks to the dispossessed Mussulman proprietors of lands, &c. In the definitive treaty between Great Britain, France, Russia, and Turkey, July 21, 1832, Art. II stipulates as follows: 'With respect to the indemnity, it remains fixed at the sum of 40 millions of Turkish piastres (approximately, £240,000),' &c.¹

2. In two instances victorious States have paid large pecuniary compensations for ceded territory which they might have claimed by right of conquest.

(a) By the Convention between Great Britain and the Netherlands (Aug. 13, 1814), the Dutch colonies of the Cape of Good Hope, Demerara, Essequibo and Berbice became British possessions, Great Britain paying to the Netherlands therefor the sum of £6,000,000.

(b) By the Treaty of Paris between Spain and the United States (Dec. 10, 1898), Spain ceded the Philippine Islands to the United States, for which the latter paid \$20,000,000 (£4,000,000) by way of compensation. It should, however, be stated that Spain had to take over the public debt on the Islands.

indemnity, but subject to a *plébiscite* at the end of ten years in the case of two districts (Tacna and Arica), which has never been held.

¹ Hertslet, vol. ii, pp. 802, 905.

II. ECONOMIC EFFECTS OF AN INDEMNITY ON THE NATION RECEIVING IT

§ i. THE only indemnity in history which at all resembles, either in size or in the conditions of collection and payment, the indemnities demanded at the end of the late war is that of £198,125,000 (or £212,500,000, including interest, &c.), paid by France to Germany in and after 1871. In 1873 Germany went through a serious financial crisis. In consequence of this it was argued at the time, especially in France, and was argued just before the late war, especially in England, that the reception of an indemnity is bound to do more harm than good. This view is not accepted by any economist of repute in any country, though it is freely admitted that the receiving of an indemnity, or rather the injudicious use of an indemnity, *may* bring evils upon the victorious country. That the financial crisis of 1873 was not due primarily to the indemnity is sufficiently proved by the fact that it began in Vienna, not in Berlin; and that there were also financial disturbances (failures, &c.) on a large scale at the same time in New York.

§ ii. To understand the effects of the indemnity of 1871, the following facts as to the way in which it was raised, paid over, and used should be borne in mind. It was raised in two loans—the first of two milliards, the second of three milliards (1871 and 1872). The first was almost entirely subscribed by Frenchmen; about a third of the second was taken by foreigners, but this third was very soon bought back by French investors. France was allowed to pay £13,000,000 in the form of

the privately-owned railways of Alsace-Lorraine, the French Government having subsequently to compensate the shareholders; £29,500,000 were paid in cash of various sorts; and £170,000,000 were paid in bills. If France had been able to export actual goods to this amount, in excess of what she imported, either by consuming less or producing more, the whole payment would have resembled that small portion which was represented by the Alsatian railways, in other words, it would have been an immediate transference of 'things' from Frenchmen to Germans. In some cases Frenchmen sold property in the annexed territory (e. g. mines in Lorraine), and put the money into the indemnity loan, a transaction closely resembling the transfer of the railways; the individual German paid for his mines, but the German State got back their value. It was a kind of free export to Germany. But France was not able to do this sort of thing generally. What she did was to make use of her very large holdings of foreign investments. Frenchmen sold these and bought the indemnity loans, or they put the interest into the indemnity loans instead of using it.

What was involved was simply the transference to Germany of already existing French claims on the world's production (or taxation), and the diversion to Germany of the right to receive (for particular years or in perpetuity) the income already being paid. This income might be, and no doubt largely was, received in the form of the commodities which the debtor countries had been in the habit of exporting, not in the form of specially large exports from France.

§ iii. Thanks to the indemnity, Germany was able (1) to tax her people less than she would otherwise have had to do; (2) to re-equip her army and fortify her new frontiers at the expense of France; (3) to establish a gold currency, which she had not had before. The

reception of a large amount of French gold was a great assistance here. Germany also put away £6,000,000 as a war reserve at Spandau; but the experience of 1914-18 has shown again what Adam Smith pointed out,¹ that such hoards do not materially assist the financing of a great war.

§ iv. The financial crisis of 1873 only slightly interrupted the progress of Germany in trade and wealth; but it did harm her, and the harm was to some extent connected with the indemnity. Firstly, the German Government, by a mistaken arrangement, received payments only at definite intervals. In the meantime the agents of France were accumulating in the German banks funds from which these payments were to be made. The bankers were tempted to lend these funds on short loans until they were wanted. There were thus alternations of 'cheap money' (in the money-market sense) and stringency—the first before, and the second just after, the fixed dates of payment. This was an inconvenience, and had bad results; but obviously it is not an inevitable outcome of an indemnity. Secondly, there is some reason to think that the German Government put too much of the actual cash which it got from France into circulation, and so drove up prices in an unhealthy fashion. This, however, is not certain. Supposing it true, the detrimental consequences might have been avoided by holding up some of the cash until business had developed sufficiently to make good use of it all without undue inflation of the currency. Thirdly, the German Government used part of the indemnity to pay back the debts of its predecessor—the North German Confederation—and of the larger German States. So far as the investors, who

¹ He mentioned that the King of Prussia was the only monarch in Europe who kept such a hoard. England financed Prussia without one.

were thus forced to find new uses for their capital, merely bought foreign securities which the French sold, no harm was done ; but some of the capital found its way into new investments in Germany, many of which were of a dubious character. It was enterprises of this type that collapsed in the crisis of 1873. Also the managers of various permanent funds which were created out of the indemnity (wounded soldiers' fund, &c.) put their capital into high-class German securities, thus setting free further capital for the more risky enterprises. In these ways the injudicious use of the indemnity did hasten and intensify the financial crash which, in any case, would almost certainly have occurred in 1873.

§ v. It was pointed out by Professor Wagner, of Berlin, in 1874 that these incidental evils connected with the reception of the indemnity might to some extent have been avoided (1) by spreading the payment over a longer period ; (2) by investing the proceeds to a greater extent in foreign securities ; (3) by enforcing payment to a greater degree in actual useful things (e. g. the Alsatian railways) rather than in money. Following out this line of thought, various German writers, in discussing the indemnities which they hoped to be able to extract from the Allies after the late war, laid stress on the desirability of gradual payment and of payment in 'things'. They talked of 'concessions, mines, railways, and ships', or of 'the whole yield of the South African gold mines for ten years'. Such forms of indemnity are certainly free from some of the difficulties attendant upon the methods adopted in 1871.

II

SUBSIDIES AND LOANS

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SUBSIDIES AND LOANS (BRITISH)

THE number of occasions on which this country has made or guaranteed a loan to an ally in time of war during the 125 years before 1914 is remarkably small. The complete list is as follows:—

- (1 and 2) 1795 and 1797.—Two loans were raised in London for the Emperor of Austria, the first of £4,600,000 and the second of £1,620,000. They took the form of Imperial 3 per cent. annuities and of a small terminable annuity (£230,000). The latter expired in 1819. Interest on the first loan was guaranteed by 35 Geo. III, c. 93; and interest and sinking fund were guaranteed on the second by 37 Geo. III, c. 59.
- (3) 1809.—By 49 Geo. III, c. 71, Portugal was allowed to raise in London a loan of £600,000. She undertook to meet all charges, including a sinking fund, but was subsequently relieved of this liability by the British Government. (See below.)
- (4) 1813.—A small loan (£200,000) was made to Holland by the British Government direct.
- (5) 1814.—A similar loan (£200,000) was made to France.
- (6) 1815.—As part of the adjustment at the Congress of Vienna and by 55 Geo. III, c. 115, Great Britain undertook to pay 6 per cent.

per annum, including a sinking fund, on a sum of £2,000,000 raised many years before by Russia in Holland.

- (7) 1855.—Advances by way of loan amounting to £2,000,000, under Acts 18 and 19 Vict., c. 17, and 19 and 20 Vict., c. 39, were made in aid of the expenses incurred by Sardinia in the Crimean War.
- (8) 1855.—During the same war Great Britain and France, the former by Act 18 and 19 Vict., c. 99, guaranteed jointly and severally 4 per cent. per annum on a sum of £5,000,000 raised for Turkey.¹

Subsidies.—The greater part of the payments made to Allies during the Revolutionary and Napoleonic Wars, the total amount of which during the years 1793-1816 was upwards of £57,000,000, was by way of subsidy, not of loan. From 1816 to 1914 no subsidies were paid to Allies in time of war; but in 1818-1820 £1,530,000 was advanced to Holland to be spent on fortifications.

(1 and 2) *Austrian Loans* (1795 and 1797).—According to Lord Liverpool, in 1816, a main reason for adopting the subsidy policy was the unfortunate history of the Austrian loans of 1795 and 1797 (1 and 2). “He believed it became a maxim with every Administration, after the experience of the Austrian Loan, not to engage in any transaction of that kind.”² The experience was as follows. Owing to diplomatic and military considerations, Austria was never pressed

¹ This list is based on two Parliamentary papers: (a) No. 466 of 1854—Account of all sums of money paid or advanced by way of loan subsidy or otherwise to any foreign State from 1792; and (b) No. 180 of 1900—Return (1) of advances by way of loan; (2) of payments by way of subsidy to foreign States; and (3) of loans raised by foreign States of which the interest or capital has been guaranteed by Parliament since 1792.

² Hansard, Parliamentary History, vol. XXXII, p. 1031.

for any interest, although, when the loan was raised, securities were taken and the Imperial creditors were empowered to sue the Emperor in his own Courts. Part of the interest on the first loan was paid out of the second; and within a few years the whole had become a charge on the Consolidated Fund.

The ultimate result was the creation of 3 per cent. stock to the nominal value of £7,502,633, besides the terminable annuity of £230,000 per annum.¹ Between 1799 and 1816 the old German Empire and its successor, the Austrian Empire, received subsidies of nearly £6,000,000, besides the numerous payments made to individual German princes.

In 1816 it was evidently not anticipated by Government that anything would be recovered on the Austrian Loans. But by a Convention of November 7, 1823, the Emperor undertook to pay £2,500,000 "in satisfaction of the whole of the British claims upon His Imperial Majesty" through Messrs. Baring and Messrs. Rothschild. Payment was spread over the years 1823-7. The "original Letters of Octroi . . . and Imperial Bonds" were returned to the Austrian Government; and the balance of the loan was added to the 3 per cent. Consols (Act 5 Geo. IV, c. 9).

(3) *The Portuguese Loan of 1809.*—Portugal met the charges on this loan, including the sinking fund, down to 1815. Under a treaty of January 22, 1815, all the charges were taken over by the British Government. Exclusive of this loan, nearly £9,000,000 had been advanced to Portugal, between 1798 and 1815, by way of subsidy, including special payments amounting to £100,000 to "Portuguese sufferers" in 1811-12. Practically, therefore, down to 1815, Portugal met the charges on the loan out of subsidies.

(4 and 5) *Dutch Loan (1813) and French Loan (1814).*—The two small loans to Holland and France,

¹ Report on Public Income and Expenditure, 1799; Hansard, Parliamentary History, vol. XXXIV, p. 1146.

each of £200,000, were repaid.¹ No special measures appear to have been necessary for their recovery.²

(6) *The Russian-Dutch Loan of 1815*.—Great Britain formally undertook the burden of this loan in connection with the establishment, largely by British diplomacy, of the new Kingdom of the Netherlands in 1815. Great Britain was to pay the interest for Russia so long as the Low Countries (Belgium) remained united to Holland. This proviso was intended to bind Russia to the new settlement;³ it was not, however, insisted upon when the Kingdom of Belgium was created. The first payment of interest on the loan was one of £122,000, made in 1816. Owing to the operation of the sinking fund, the amount of interest payable annually had fallen by 1853 to £88,577.⁴ Payments continued in spite of the Crimean War. By 1891 the amount of capital outstanding was reduced to £520,000. This sum was paid off, under Act 54 and 55 Vict., c. 26, by means of a terminable annuity expiring in the year 1906.⁵

(7) *The Sardinian Loan of 1855*.—This sum lent (£2,000,000), like the small loans to Holland and France, 1813-14, was an advance direct from the British Government, not a loan raised in London and guaranteed by the British Government. The Sardinian Government undertook to pay 4 per cent. per annum, of which 1 per cent. was to be for a sinking fund. The

¹ The dates of repayment do not appear to be discoverable. There is no trace of the loans in the Financial Reports of 1813-20. In the Parliamentary Paper (1854) referred to above, these loans are entered as "repaid," without date.

² Enquiries have been made both from Messrs. Baring and Messrs. Rothschild with the object of eliciting information as to the manner in which the loans and subsidies of the period 1792-1815 were financed, but no information was forthcoming, the records for that period having apparently been destroyed.

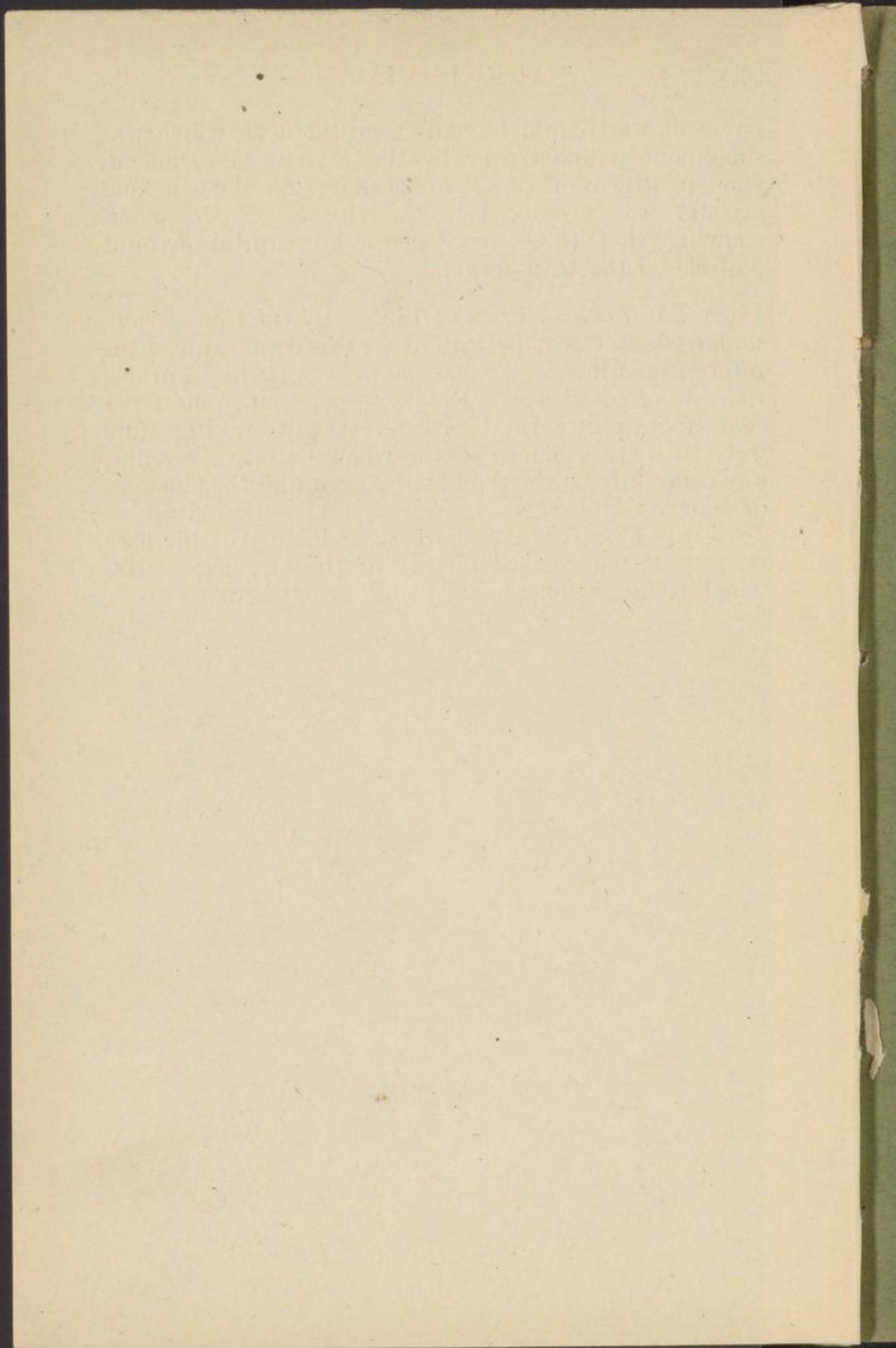
³ Lord Liverpool in the House of Lords, March 1, 1816; Hansard, vol. XXXII, p. 1032.

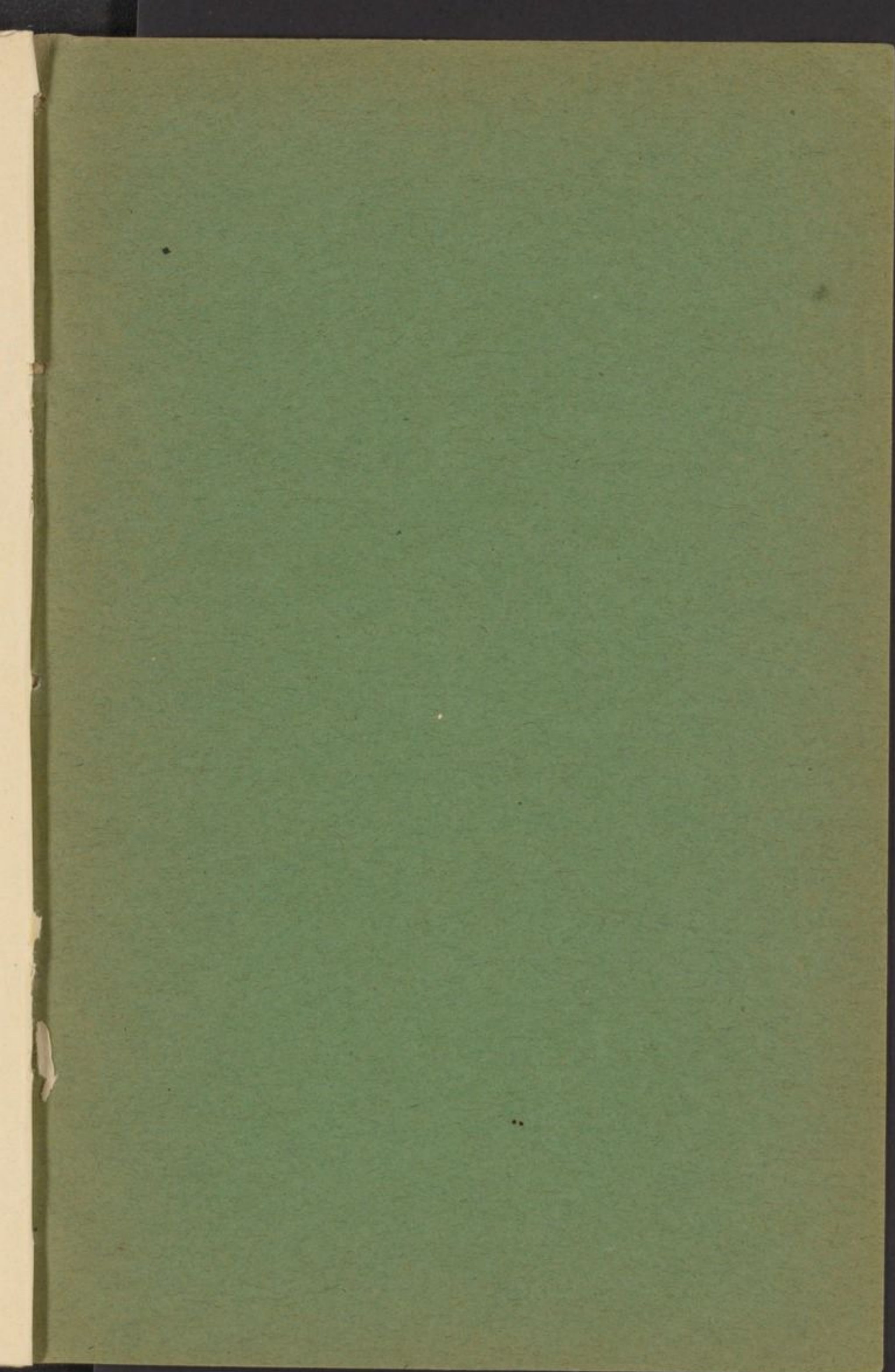
⁴ Parliamentary Paper No. 466 of 1854.

⁵ Parliamentary Paper No. 180 of 1900.

payment was regularly made; and the debt, which was subsequently taken over by the Italian Government, was steadily reduced. On February 22, 1903, a final account was presented to the House of Commons, showing that three repayments on capital account had closed the transaction.

(8) *The Turkish Loan of 1855.*—By the Convention, under which Great Britain and France guaranteed the interest on a loan of £5,000,000 to be raised by Turkey, the rate of interest was fixed at 4 per cent., plus 1 per cent. for sinking fund. Interest and sinking fund were to form a charge on the whole Ottoman revenue, and especially on the tribute of Egypt and the Customs of Smyrna and Syria. The amount outstanding in 1875 was £3,815,200. The further history of the loan is part of the general history of the Ottoman Debt, which it seems unnecessary to follow out here.





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